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IN THE

Supreme Court of the United States

OCTOBER TERM, 1954

No. 287

REMINGTON RAND, INC.,
Petitioner,

v.

ISABEL DYSART BUSH, DOROTHY DYSART FELLERS and SAMUEL CLAYTON DYSART,
Respondents.

REMINGTON RAND, INC.,
Petitioner,

v.

ISABEL DYSART BUSH, Administratrix d. b. n., c. t. a. of the Estate of Birney Dysart, Deceased,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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No.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Petitioner Remington Rand, Inc. respectfully prays the issuance of a writ of certiorari to review a judgment of the United States Court of Appeals for the Second Circuit entered May 25, 1954 affirming a judgment filed July 22, 1952 in the District Court for the District of Connecticut. Petitioner seeks to review the decisions of the lower courts

only in so far as they refused to dismiss the actions under Rule 25(a)(1) of the Federal Rules of Civil Procedure.

Opinions Below

The opinion of the Court of Appeals in this case is not yet reported. The only opinion of the District Court pertinent to this petition was filed July 12, 1954, and has not been reported. The opinion of the Court of Appeals and that portion of the aforesaid opinion of the District Court dealing with the questions presented by this petition are set forth in the appendix.

Jurisdiction

Jurisdiction is invoked under 62 Stat. 928 (1948), 28 U. S. C. § 1254.

Questions Presented

1. Where, as here, the executrix of a decedent's estate has died during the pendency of actions at law for damages in which she is a party plaintiff, and substitution of a party for her is not made within two years after her death, does Federal Rule of Civil Procedure 25(a)(1) as construed in *Anderson* v. *Yungkau*, 329 U. S. 482 (1947), divest the district court of jurisdiction and require that the actions be dismissed?

2. In the circumstances stated above may a defendant entitled to question the jurisdiction of the district court under Rule 25(a)(1) waive, or be estopped from

raising the question solely by continuing to litigate the damages before a Special Master after expiration of the two-year period?

3. In the circumstances stated above may the court, in refusing to dismiss the actions under Rule 25(a)(1), add the legal representative of the deceased executrix as a party plaintiff in the actions under Rule 21, or is the court precluded from so doing by Rule 6(b)?

Federal Rules Involved

"Rule 25. Substitution of Parties.

(a) Death.

(1) If a party dies and the claim is not thereby extinguished, the court within 2 years after the death may order substitution of the proper parties. If substitution is not so made, the action shall be dismissed as to the deceased party. The motion for substitution may be made by the successors or representatives of the deceased party or by any party and, together with the notice of hearing, shall be served on the parties as provided in Rule 5 and upon persons not parties in the manner provided in Rule 4 for the service of a summons, and may be served in any judicial district."

"Rule 21. Misjoinder and Non-Joinder of Parties.

Misjoinder of parties is not ground for dismissal of an action. Parties may be dropped or added by order of the court on motion of any party or of its own initiative at any stage of the action and on such terms as are just. Any claim against a party may be severed and proceeded with separately."

"Rule 6(b). Enlargement.

When by these rules or by a notice given thereunder or by order of court an act is required or allowed to be done at or within a specified time, the court for cause shown may at any time in its discretion (1) with or without motion or notice order the period enlarged if request therefor is made before the expiration of the period originally prescribed or as extended by a previous order or (2) upon motion made after the expiration of the specified period permit the act to be done where the failure to act was the result of excusable neglect; but it may not extend the time for taking any action under rules 25, 50 (b), 52 (b), 59 (b), (d) and (e), 60 (b), and 73 (a) and (g), except to the extent and under the conditions stated in them."

Statement

The total principal amount of the District Court's judgment represents the value, as found by the Special Master, of the use from 1924 to March 31, 1949 of an adding machine device invented by Birney Dysart, deceased, and used by petitioner Remington Rand, Inc. and its predecessor, Dalton Adding Machine Company under an express oral agreement made between Dysart and James L. Dalton in 1924 and assumed by Remington Rand in 1927 upon its acquisition of all of the issued and outstanding stock of Dalton Adding Machine Company (R. 98-99).

These are two actions at law for the fair value of the use of that device under the contract. One action # 3979 Law, brought by Eva Perin Dysart as executrix of Birney Dysart, is for the value of the use of the device from 1924 up to August 8, 1933 when, it is claimed, the invention was transferred out of his estate (R. 11, 25-28, 43). The other

action # 3978 Law, brought by the widow Eva Perin Dysart individually and the decedent's three children, is for the value of the use of the device from August 8, 1933 until September 17, 1952, the expiration date of the patent covering the device (R. 10-14, 43).

Both actions were commenced November 12, 1937 in the Superior Court of Connecticut, Hartford County, and removed to the District Court for diversity (R. 17-24, 31-39).

Pursuant to stipulation the actions were consolidated for trial, a jury was waived and the issues relating to petitioner's liability were tried first and separately before Judge Charles E. Clark sitting as a District Judge (R. 92-95).

Judge Clark rendered a decision in respondents' favor filed with his opinion July 11, 1941 (R. 96-112), reported at 40 F. Supp. 596, and interlocutory judgment was entered July 18, 1941 directing petitioner to account for the value of the use of the invention (R. 113-114). A Special Master was appointed by order filed October 2, 1941 to ascertain the extent and reasonable value of that use and the amount due each respondent (R. 115-116).

Eva Perin Dysart died December 30, 1945. Within the ensuing two year period admittedly no effort was made to substitute a necessary and proper party for her. On March 27, 1947 her estate was fully settled and distributed to her three children.

Although there were some hearings before the Special Master following his appointment in 1941, the period 1941 to January 1949 (except for a suspension thereof by mutual consent for the duration of hostilities during World War II), was devoted primarily to the compilation, pursuant to his direction, of records and data pertinent to the issue of

damages. Testimony upon that issue was not begun before the Special Master until the hearing of January 11, 1949, or approximately four years after Mrs. Dysart's death. The taking of this testimony terminated June 17, 1949. The petitioner first raised the point that no substitution had been made for Mrs. Dysart in its brief before the Special Master filed July 25, 1949. Isabel Dysart Bush was appointed administratrix d.b.n., c.t.a. of the estate of Birney Dysart on August 15, 1949.

On January 31, 1950 petitioner moved in the District Court to dismiss the actions as to Mrs. Dysart, both as executrix and as an individual under Rule 25(a)(1) (R. 274-275). Respondents served a supplemental complaint (R. 558-617), petitioner answered (R. 565-570), respondents moved for summary judgment (R. 572-575) and petitioner cross-moved for summary judgment (R. 620-721). These motions resulted in a decision by Judge Smith on July 12, 1951 (R. 790-801).

Judge Smith held that action #3979 Law (seeking damages for the period prior to Dysart's death in 1932), fell within the purview of Rule 25(a)(1) but that petitioner, by reason of its delay in raising the issue, had waived its right to object and was estopped from invoking the application of the rule. Accordingly, he refused to dismiss and, of his own motion, added Isabel Dysart Bush, as administratrix d.b.n., c.t.a. of Birney Dysart's estate, as a new party plaintiff under Rule 21 (R. 798-801).

In action #3978 Law (seeking damages for the period after Dysart's death), Judge Smith held that all rights to the invention and patent and all claims for its use after Dysart's death had been distributed out of his estate to Mrs. Dysart, who had thereafter assigned a one-quarter interest

therein to each of her three children; and that these children upon Mrs. Dysart's death took her remaining one-quarter interest under the Mutual Distribution approved by the Connecticut Court of Probate. Judge Smith concluded that by April 1947 Mrs. Dysart's children had acquired full legal title to the subject matter of action #3978 Law, and therefore it was unnecessary to substitute anyone for Mrs. Dysart in that action (R. 796-797).

The Court of Appeals, in affirming, agreed that failure to substitute in the second action was not fatal since, for the reasons stated by Judge Smith, substitution in that action was unnecessary. In sustaining Judge Smith's refusal to dismiss the first action, the Court of Appeals found that the petitioner knew of Mrs. Dysart's death as early as 1946; that if objection had been made at least prior to the hearings before the Special Master in 1949, those proceedings would have been greatly simplified and much time and expense saved; and that having stood by while the respondents expended money and effort in bringing the case to judgment, the petitioner should no longer be allowed to object that the required substitution had not been made.

Both the Court of Appeals and the District Court refused to sustain the petitioner's position that Rule 25(a)(1), as construed by this Court in *Anderson* v. *Yungkau*; *supra*, made mandatory dismissal of both actions and that Rule 25(a)(1) is jurisdictional and hence its operation cannot be waived.

Reasons For Granting The Writ

This case presents an important question of federal law, i.e., the meaning and applicability and reconciliation of three Federal Rules of Civil Procedure promulgated for

the guidance of the federal bar and the governance of the federal courts. Petitioner contends that the courts below have decided this question in a way in conflict with decisions of this Court which are directly applicable; but if those decisions should be held to be inapplicable, then the question presented is an open one which should be settled by this Court (Rule 19, Revised Rules of the Supreme Court of the United States, effective July 1, 1954).

I

In refusing to dismiss the actions the lower courts have given Rule 25(a)(1) a construction contrary to the interpretation accorded the rule by this Court in *Anderson* v. *Yungkau, supra,* which held that Rule 25(a)(1) is mandatory in operation and jurisdictional in effect, and that after the expiration of the two-year period a district court is without judicial power to entertain further proceedings.

The decision in the *Yungkau* case involved suits to recover stock assessments. The shareholders affected died during pendency of the actions and respondents became executors of their estates. Through no lack of diligence, petitioner failed to learn of these facts until more than two years later. Thereupon, petitioner promptly moved to revive the actions against the representatives of the decedents. The District Court denied the motions for revivor and granted motions of the executors to dismiss. The Circuit Court of Appeals, Sixth Circuit, affirmed by a divided court. This Court granted certiorari and affirmed the lower courts by a vote of 5-2, the Chief Justice and Justice Reed taking no part in the consideration or decision of the case.

Petitioner in the *Yungkau* case contended that since under Rule 25(a) substitution might be made within two years after the death of a party, such substitution was, within the meaning of Rule 6(b), an act "allowed" to be done "within a specified time" which the court might on a showing of "excusable neglect" permit to be done after the two year period. At that time, Rule 6(b) granted but two exceptions to the power of enlargement of time, i.e., it forbade enlarging the time for any action under Rules 59 and 73. Petitioner argued that since Rule 25(a) was not included in these exceptions, the time allowed by that rule for substitution might be enlarged under Rule 6(b).

In rejecting these contentions Mr. Justice Douglas, for the majority, after pointing out that even "within the two-year period substitution is not a matter of right; the court 'may' order substitution but it is under no duty to do so," went on to state (pp. 485-486):

> "In contrast to the discretion of the court to order substitution within the two-year period is the provision of Rule 25(a) that if substitution is not made within that time the action 'shall be dismissed' as to the deceased. The word 'shall' is ordinarily 'the language of command.' *Escoe* v. *Zerbst,* 295 U. S. 490, 493. And when the same Rule uses both 'may' and 'shall', the normal inference is that each is used in its usual sense—the one act being permissive, the other mandatory. See *United States* v. *Thoman,* 156 U. S. 353.
>
> Thus, as stated by the Circuit Court of Appeals, *Rule 25(a) operates both as a statute of limitations upon revivor and as a mandate to the court to dismiss an action not revived within the two-year period.* Rule 6(b) relates to acts required or allowed to be done by parties to an action and permits the court to

> afford relief to a party for his failure to act within the prescribed time limits. There would be more force in petitioner's argument if Rule 25(a) had, without more, set a two-year period within which substitution might be made. But Rule 25(a) does not stop there. *It directs the court to dismiss the action if substitution has not been made within that time. That is action required of the court, not of a party. And Rule 6(b) should not be construed to override an express direction of action to be taken by the court.* See *Wallace* v. *United States,* 142 F. 2d 240, 244." (Emphasis supplied.)

Since the decision in *Anderson* v. *Yungkau,* significant events have occurred which serve to reinforce the view that Rule 25(a)(1) is mandatory and jurisdictional. In its Final Report to this Court in June 1946, the Advisory Committee recommended that Rule 25(a)(1) be amended to give district courts discretion to order substitution after the expiration of two years. Not only was this recommendation not adopted, but instead Rule 6(b) was amended to state expressly that the time for taking any action under Rule 25 may not be extended. 4 Moore's *Federal Practice,* 504-505 (2d Ed. 1948).*

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*We are advised that the Advisory Committee in a preliminary draft of proposed amendments to the Rules published in May 1954 suggests the removal of the two-year time limitation in Rule 25(a)(1) and the elimination from Rule 6(b) of the provision that the time for taking action under Rule 25 may not be extended. This would result in granting the courts entire discretion to determine whether an action should be dismissed for delay in substitution. The proposal, of course, even if adopted, could not affect these actions since its operation would not, in any event, be retroactive. However, the very proposal of such an amendment in itself shows that the Committee regards present Rule 25(a)(1) as mandatory and jurisdictional in effect. It is also significant that the Committee in its notes to the proposed amendment refers to the opinion of the Court of Appeals in the instant case and indicates that the decision has created confusion regarding the application of Rule 25(a)(1)—an additional reason, we submit, why certiorari should be granted.

With the single exception of the lower courts here the federal courts have invariably followed *Anderson* v. *Yungkau*. See *Theard* v. *Fidelity & Deposit Co. of Maryland*, 202 F. 2d 880, 882, 883 (5th Cir. 1953); *Hofheimer* v. *McIntee*, 179 F. 2d 789, 791-792 (7th Cir. 1950), *cert. denied sub nom. Johnson* v. *McIntee*, 340 U. S. 817 (1950); *Fleming* v. *Sebastiani*, 161 F. 2d 111, 112 (9th Cir. 1947); *Blum* v. *Postal Telegraph*, 11 F. R. D. 500 (W. D. Pa. 1951); *United States* v. *Bush Const. Co.*, 109 F. Supp. 378 (E. D. Mich. 1953); cf. *Duebler* v. *Sherneth Corp.*, 160 F. 2d 472, 475 (2d Cir. 1947); *Pasos* v. *Eastern S. S. Co.*, 9 F. R. D. 279, 280 (Del. 1949).

Indeed, after expiration of the two-year period prescribed by Rule 25 a district court no longer has jurisdiction over the action as to a deceased party. In the analogous case of *Snyder* v. *Buck*, 340 U. S. 15 (1950) the Court held that substitution could not be made for a public officer after expiration of the six-month period prescribed in Section 11(a) of the Judiciary Act of 1925, 43 Stat. 936, 941, now Rule 25(d), saying "the suit had abated in the District Court" (p. 21), and "[t]*he absence of a necessary party and the statutory barrier to substitution go to jurisdiction*" (p. 22). (Emphasis supplied.)

Thus the language, judicial interpretation and legislative history of Rule 25(a)(1) all show that where substitution has not been made within the two-year period, dismissal of the action is mandatory and thereafter the court is without jurisdiction.

It is believed that the contrary holdings of the lower courts in the cases at bar constitute serious error which, if left uncorrected, will create widespread uncertainty and confusion among lawyers and litigants alike regarding the

meaning and applicability of a most important rule of procedure operative throughout the federal courts.

II

Jurisdiction lost cannot be conferred by the parties; and the lower courts erred in holding that a party entitled to question jurisdiction under Rule 25(a)(1) may, solely by delay in doing so, waive or be estopped from raising the question.

It is true in part, as the Court of Appeals said, that the *Yungkau* case "characterized Rule 25(a) as a type of statute of limitations" and that a "statute of limitations can be waived."

But *Yungkau* went further. It expressly held that "Rule 25(a) operates *both* as a statute of limitations upon revivor *and* as a *mandate to the court* to dismiss an action not revived within the two year period." (Emphasis supplied.) In *Yungkau* the Rule was regarded as a statute of limitations in so far as it prescribes a two-year period after death during which appeal may be made to a district court's discretion to make substitution. Once the two-year period has expired, however, the Rule ceases to be a mere limitation upon the time within which application for substitution may be made, and becomes *"a mandate to the court to dismiss."* (Emphasis supplied.)

This "mandate to the court" may not be "waived" by a party, nor may a party by conduct be estopped from moving the court to invoke the mandate. As the Court stated in the *Yungkau* case, the dismissal of an action after expiration of the two year period prescribed by Rule 25(a) "is action required of the court, not of a party" and the Rule "is an express direction of action to be taken by the court." Surely

a party may not "waive" the "action required of the court" nor may the court decline to follow the "express direction" of the Rule, under some theory that the party moving the court to invoke the Rule has become estopped from so doing. As the Court said in *Snyder* v. *Buck, supra,* the Rule reflects "a declared policy of Congress not to be altered by an agreement of the parties or by some theory of estoppel" (p. 19).

The classic definition of a waiver is the "intentional relinquishment or abandonment of a known right or privilege." *Johnson* v. *Zerbst,* 304 U.S. 458, 464 (1937). But Rule 25 (a) created no private rights or privileges. Rather, it is a rule of judicial policy and economy for the governance of federal courts. Indeed it defines the jurisdiction of the district courts, for once the period for discretionary substitution has expired, the time for mandatory dismissal has arrived, and the court loses jurisdiction of the subject matter in so far as the claim of the deceased party is concerned. And it is axiomatic, of course, that no waiver or estoppel can clothe a court with jurisdiction over the subject matter of litigation which the court does not have or which it may have lost.

In holding that petitioner's delay in moving to dismiss constituted a waiver or estoppel the lower courts achieved a result which is clearly without warrant in view of *United States ex rel. Claussen* v. *Curran,* 276 U. S. 590 (1927).

The *Claussen* case involved Section 11(a) of the Judiciary Act of 1925, the predecessor of present Rule 25(d) which provides that where a public officer who is a party to an action dies or is separated from office his successor may be substituted as a party "if within 6 months after the successor takes office it is satisfactorily shown to the court that there is a substantial need for so continuing or maintaining" the action.

As appears from the per curiam opinion in the *Claussen* case, that was a habeas corpus proceeding against Curran as Commissioner of Immigration. The writ was dismissed by order of the District Court entered February 1, 1926. An appeal was allowed on February 9, 1926 to the Circuit Court of Appeals for the Second Circuit. Curran resigned his office on March 31, 1926 and was succeeded by Benjamin M. Day. No motion for substitution was made. On December 14, 1926 the Circuit Court of Appeals entered judgment affirming that of the District Court. This Court granted certiorari on March 7, 1927. "Suggestion of abatement" was first submitted on January 6, 1928 while the appeal was pending in this Court. On January 9, 1928 this Court, finding that the six months' period within which a motion for substitution could have been made had expired, vacated the judgments entered in the District Court and in the Circuit Court of Appeals and remanded the cause to the District Court "with a direction to dismiss the cause as abated" (276 U. S. at 591).

It is clear from the foregoing statement of chronology that the dismissal of the cause in *Claussen* could have been had at any time after September 30, 1926, i.e., after the expiration of six months from March 31, 1926. Nevertheless, despite the more than one year's delay in raising the question, and regardless of the time and expense involved in permitting the case to continue its course through the Circuit Court of Appeals and to this Court, there was no finding of a waiver or estoppel to invoke the statutory requirement of dismissal.

Referring to the *Claussen* case in *Defense Supplies Corp.* v. *Lawrence Co.*, 336 U. S. 631 (1949) this Court said that the judgments of the lower courts were there

vacated because the statute there involved "made it unmistakably clear that the validity of the judgment was conditional upon substitution" (336 U. S. at 638).

Analagously here, the time for substitution having expired December 30, 1947, all proceedings thereafter in the lower courts in respect of the claim of Eva Perin Dysart, as executrix or individually, are without effect and the judgments below in respect of her claim are without validity and, as such, should be vacated. And petitioner's delay in moving to dismiss cannot be used to block the dismissal required by the inexorable operation of Rule 25(a)(1).

Where, as here, the "restriction is one which Congress has placed on the power of the District Court to act * * * it may not be waived by the parties" (*Ahrens* v. *Clark*, 335 U. S. 188, 193 (1947)); for, "lack of jurisdiction of a federal court touching the subject matter of the litigation cannot be waived by the parties." *United States* v. *Griffin*, 303 U. S. 226, 229 (1937); and see, *Parker* v. *Ormsby*, 141 U. S. 81, 86 (1890).

Since Rule 25(a)(1) goes to jurisdiction, the objection of non-substitution may be made at any time, and, as the *Claussen* case shows, even in an appellate court, either by a party or by the court of its own initiative. Rule of Federal Civil Procedure 12(h); and see, *Hackner* v. *Guaranty Trust Co.*, 117 F. 2d 95, 97 (2d Cir. 1941), *cert. denied*, 313 U. S. 559 (1941).

Finally, if the applicability of Rule 25(a)(1) is made to depend upon considerations of "waiver" or "estoppel", it will cease to be the mandatory directive it now is and its application will be made to depend upon the precise facts of each individual case and, indeed, upon whether or not the particular judge sitting in the case believes that it would or

would not be equitable to dismiss. Thus, Rule 25(a)(1) would be made discretionary in application and would, in effect, be amended in the very respects in which the Court has already declined to amend it (p. 10, *supra*). We suggest it would be to invite chaotic disorder in judicial administration to permit a "mandate" to be thus frustrated by the very courts to whom it is directed.

III

Since the lower courts correctly held that action #3979 Law falls within Rule 25(a)(1), they erred in refusing to dismiss that action and in circumventing Rule 25 by resort to Rule 21.

The District Court and the Court of Appeals held that action #3979 Law falls within the purview of Rule 25(a)(1) (R. 798). Nevertheless, Isabel Dysart Bush, administratrix d.n.b., c.t.a. of the estate of Birney Dysart, was added as a party plaintiff in that action after expiration of the two-year period, purportedly under Rule 21, to represent the interest formerly represented by Mrs. Dysart as executrix (R. 800).

Obviously, this addition of a party under Rule 21 is really nothing more than the very substitution prescribed by Rule 25(a)(1). Mrs. Dysart, as executrix of the estate of Birney Dysart, sued on Dysart's claim against petitioner for the years prior to Dysart's death in 1932 (Find. 15; R. 104). Mrs. Bush, as administratrix d.b.n., c.t.a. of the estate of Birney Dysart, has now recovered judgment on that same claim (R. 1125-1128). Mrs. Dysart theoretically is still a party to this action, since the motion to dismiss as to her was denied (R. 800). Yet, she is not mentioned, as a party or otherwise, in the judgment. Clearly, then, the District Court

regarded Mrs. Bush as having been substituted for Mrs. Dysart.

This Court is therefore squarely faced with the question whether a party who may not be substituted under Rule 25 may in effect be substituted under Rule 21.

We submit that the policy of Rule 25 may not thus be defeated. So to interpret Rule 21 would mean, for all practical purposes, to write Rule 25 off the books. Under the District Court's interpretation a new party could be substituted for a deceased party at any time after the two year period had expired simply by admitting the new party under Rule 21. This is almost the exact procedure proposed in the 1946 amendment to Rule 25 which was rejected.

The Seventh Circuit has held that the policy of Rule 25 cannot be avoided by other more general Federal Rules. In *Hofheimer* v. *McIntee, supra,* after the two year period had expired appellant sought to be substituted for a deceased party under the intervention procedure of Rule 24. The court held intervention would not be granted because after the two year period the district court lost jurisdiction and "there was nothing left in which the movant could intervene."

There is no material difference between that situation and this. Here, two years after Mrs. Dysart's death the District Court lost jurisdiction as to her in her individual and executorial capacities. Thereafter Mrs. Bush as administratrix d.b.n., c.t.a., representing the claim in Dysart's estate, could not be admitted as a party under Rule 21, for there was then no longer any action on this claim before the court to which she could be admitted.

Where, as here, the court has lost jurisdiction as to a party or claim, joinder will not be permitted under Rule 21.

> "In so far as [Rule 21] relates to the addition of parties it is intended to permit the bringing in of a

person who, through inadvertence, mistake or for some other reason, had not been made a party and whose presence as a party is later found necessary or desirable; it is not intended, by this rule, to enable a plaintiff to bring back into the case, as defendants, persons who had been joined as such at the outset of the action, but against whom the right to continue the action has abated." *Truncale* v. *Universal Pictures Co.*, 82 F. Supp. 576, 578 (S. D. N. Y. 1949).

For these reasons, we submit, the Courts below erred in holding that Rule 25(a)(1) does not make mandatory the dismissal of action #3979 Law and that the command of Rule 25 can be avoided by resort to Rule 21.

IV

The courts below also erred in holding that Rule 25(a)(1) did not require dismissal of action #3978 Law. In so doing they decided an important state question in a way in conflict with applicable state law.

The lower courts were in error in treating plaintiffs' claim as two-fold. The claim made the basis of both actions is single and indivisible and was held in its entirety by Mrs. Dysart as executrix of Birney Dysart. Therefore, the failure to substitute a proper party for Mrs. Dysart within two years after her death made dismissal of both actions mandatory under Rule 25(a)(1).

As we have said, these are actions arising out of an express oral contract made between James L. Dalton as president of Dalton Adding Machine Company, and Birney Dysart in 1924. Remington Rand is here sued upon its agreement of 1927 in which it assumed certain liabilities under the oral contract.

These are not actions for patent infringement or other rights arising out of Dysart patent application No. 565. Plaintiffs' rights in the application, and later in the patent, are separate and distinct from their rights under the contract of Dysart with Dalton. Against Remington Rand, the contractual user of the device, the rights of the plaintiffs must be determined by the agreement and not under the patent laws. See *Pratt* v. *Paris Gas Light & Coke Co.*, 168 U. S. 255, 260 (1897); *International Burr Corporation* v. *Wood Grinding Service*, 34 F. 2d 905, 909 (2d Cir. 1929); *Sbicca-Del Mac* v. *Milius Shoe Co.*, 145 F. 2d 389, 400 (8th Cir. 1944); *Saco-Lowell Shops* v. *Reynolds*, 141 F. 2d 587, 596 (4th Cir. 1944); *Carbo-Frost, Inc.* v. *Pure Carbonic, Inc.*, 103 F. 2d 210, 223 (8th Cir. 1939), *cert. denied*, 308 U. S. 569 (1939).

Hence, Dysart at his death was the holder of an express contract claim against Remington Rand as the permissive holder of the Dysart device. He was also the holder of a separate bundle of rights arising from his patent application No. 565. These latter rights permitted him to license others to use the device and, after the patent was issued, to sue for infringement. And upon Dysart's death his contract claim against Remington Rand became a distinct and separate asset of his estate as did his rights under his patent application. But the contract claim must be distinguished from the rights under the patent application or the patent. Although *the patent rights* have been distributed out of the Dysart estate, *the contract claim*, which is the subject matter of these actions, has never been so distributed.

This distinction between a permissive user of a patented device and a wrongful user, an infringer, has been recognized by this Court since 1875. See, *Packet Company* v. *Sickles*, 86 U. S. 611 (1873).

The District Court and the Court of Appeals have failed to make this distinction between the contract claim and the patent rights; and, treating them as one, have held that only that part of the claim for the period 1924 to 1932 remains in the Dysart estate, whereas that part of the claim covering the period 1932 to date was distributed to Mrs. Dysart and then assigned by her in part to her three children (R. 796-798).

This conclusion is erroneous for these reasons:

(a) Under Connecticut law there can be no distribution of non-inventoried assets of an estate. The contract claim against Remington Rand was not inventoried as an asset of the estate of Birney Dysart until 1937 and again later in 1949. Therefore, no distribution of it could have been made to Mrs. Dysart in 1933.

An Inventory and Supplemental Inventory were filed in 1933 by Mrs. Dysart, as executrix of Birney Dysart's estate, in the Hartford Probate Court and were accepted by that Court in 1933. These inventories listed Patent Application No. 565 as an asset of Dysart's estate. No reference was made to Dysart's contract claim against Remington Rand (R. 791-792, 652-655).

An administration account was filed by Mrs. Dysart, as executrix, and approved by the Probate Court on March 28, 1933. Dysart's contract claim against Remington Rand appeared nowhere in the administration account (R. 792, 798, 657-659). Distribution of the assets of the estate was made in accordance with the will (R. 792, 661). Since Dysart's contract claim against Remington Rand was never inventoried and never appeared in the administration account it could not have been distributed to Mrs. Dysart under Connecticut law. *Bankers Trust Co.* v. *Greims,* 110

Conn. 36, 42-43, 147 Atl. 290 (1929); Cleaveland, Hewitt & Clark, *Probate Law and Practice of Connecticut,* 769 (1915); 2 Locke & Kohn, *Connecticut Probate Practice,* 243, 742-743 (1951).

(b) The District Court found and respondents admit that in 1937 a supplemental inventory was filed listing for the first time as an undistributed asset in Dysart's estate "Claim against Remington Rand Inc., value indeterminate." Later and in 1949 another supplemental inventory was filed in Birney Dysart's estate listing as an undistributed asset thereof "Claim against Remington Rand Inc., value indeterminate" (R. 792-793, 663, 668).

There is nothing in these inventories to indicate that the listed claim is only for the period 1924-1932. To the contrary, by its very terms the claim listed is the *entire* "Claim against Remington Rand, Inc." and hence is for the period after 1932 as well as before. Therefore, plaintiffs' own inventories and the Court's findings show that the entire contract claim here sued upon remains in the Birney Dysart estate.

Respondents argued below that the order distributing Dysart's estate to Mrs. Dysart in 1933 included the contract claim against Remington Rand. Judge Smith properly held that this could not possibly be so as regards the period 1924-1932, since neither the 1932-1933 inventories nor the administration account made any reference whatever to that claim, and the supplemental inventories of 1937 and 1949 each listed the claim as still an undistributed asset of the estate (R. 798).

Judge Smith and the Court of Appeals failed to realize, however, that upon the same reasoning the contract claim

for the period 1932 to date also still must remain in the Birney Dysart estate, for the claim for that period is not included in the 1932-1933 inventories nor in the administration account, whereas the 1937 and 1949 inventories, which include the claim, are applicable to the period after 1932 as well as to the period before.

CONCLUSION

For the foregoing reasons, it is submitted that the Court of Appeals for the Second Circuit has misconstrued and misapplied Rules 25(a)(1), 21 and 6(b) and, in so doing, has misinterpreted and, in effect overruled, controlling decisions of this Court; and that a writ of certiorari should issue accordingly for a review at the hands of this Court.

Dated: New York, N. Y., August 6, 1954.

Respectfully submitted,

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APPENDIX

A.

Opinion of Court of Appeals

Before:

Chase, *Chief Judge,*
Augustus Hand, *Circuit Judge,* and
Gibson, *District Judge.*

Appeal from the United States District Court for the District of Connecticut, J. Joseph Smith, *District Judge.*

Joint actions by Isabel Dysart Bush, Dorothy Dysart Fellers, Samuel Clayton Dysart, and by Isabel Dysart Bush as Administratrix d.b.n., c.t.a. on the estate of Birney Dysart, against Remington Rand, Incorporated, brought to recover for the reasonable value of the use by Remington Rand, Inc. of a mechanical device invented and patented by Birney Dysart, father of the present plaintiffs. Judgment was entered for the plaintiffs in the total amount of $1,220,001.59 (including interest accrued to the date of entry) plus interest and costs. Judgments affirmed.

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GIBSON, *District Judge*:

There are two actions of contract brought (a) by two daughters, Isabel Dysart Bush and Dorothy Dysart Fellers, and one son, Samuel Clayton Dysart, of Birney Dysart, against Remington Rand, Incorporated; and (b) by one daughter—Isabel Dysart Bush, Administratrix d.b.n, c.t.a. of estate of Birney Dysart, against the same defendant. The gist of the action, in each case, is identical. Henceforth, except as to one alleged error, the term "plaintiff" will be used to denote all the plaintiffs in the combined actions.

The plaintiff's complaint contained two counts. It alleged, in its first count, the following: Birney Dysart, on or about December 25, 1919, invented an automatic credit balance device to be used in connection with, and as part of, adding, bookkeeping or other business machines.

Sometime between November, 1923, and May, 1924, Birney Dysart, the owner of this invention and the applicant for a patent thereon, agreed with the Dalton Adding Machine Co. of Norwood, Ohio, that the Dalton Co., pending the issuance of letters patent upon this invention, might use it, for a consideration to be agreed upon within a reasonable time after the issuance of letters patent, and the Dalton Co. further agreed, as part consideration for its use, to pay all costs relative to the issuance of the patent.

On or about May 9, 1927, the defendant purchased all assets and assumed all liabilities, immediate or contingent, of the Dalton Co. The Dalton Co. paid charges and costs relative to the issuance of the patent until its purchase by defendant. The defendant has, since its purchase of Dalton Co., paid none of the charges or costs of obtaining the patent. Letters patent on the invention were issued on September 17, 1935.

Since September, 1924, the Dalton Co.—and the defendant—used this invention in the manufacture of, and as part of, a large number of adding, bookkeeping and other busi-

ness machines. Yet since the issuance of the patent, the defendant has made no attempt to agree with Birney Dysart, his representative, or his heirs (the plaintiffs) concerning compensation for such use, for which compensation was asked in the first count.

The second count asked for an accounting and disclosure of the number of machines sold by the Dalton Co.—and defendant—which were equipped with this invention and manufactured and sold by the Dalton Co. and defendant, and asked for judgment for the amount found due on such accounting.

This complaint was dated November 8, 1937, and was entered in the Superior Court at Hartford, Connecticut. On motion of the defendant, the action, on December 22, 1937, was removed to the Federal Court. After sundry motions—to expunge—to strike—the defendant filed, on November 1, 1938, its answer. This answer contained a general denial and twelve special defenses. After further motions and hearings thereon, on March 8, 1940, the special defenses were boiled down to those of shop right, license, legal or equitable title, fraud and estoppel.[1]

Both parties finally having agreed to trial by court, trial was had before Judge Clark commencing April 28, 1941. On July 11, 1941, Findings of Fact and a Memorandum of Law were filed in favor of the plaintiffs. *Dysart et al.* v. *Remington Rand, Inc.*, D. C., 40 F. Supp. 596. Liability to the plaintiff was predicated on an express promise on the part of the Dalton Co., assumed by the defendant when it merged with the Dalton Co., to pay the reasonable value for the use of the Dysart device. Accordingly, on July 18, 1941, an interlocutory judgment was entered. This interlocutory judgment ordered the defendant to account to the plaintiff for the reasonable value of the use of the patent made by it and the Dalton Co.—and referred the

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[1]Earlier phases of this action may be found at 25 F. Supp. 293; 31 F. Supp. 296; 32 F. Supp. 477; 40 F. Supp. 596.

case to a Special Master to ascertain the extent of such use, the reasonable value thereof, and the amounts due each of the plaintiffs—and awarded costs to the plaintiff.

On October 2, 1941, Charles M. Lyman, Esquire, was appointed Master. Apparently it took the parties a great deal of time to gather together all the necessary factual data—because it was not until early in 1949 that hearings on the merits were held before the Master, and these continued until mid-June of that year. The Special Master's first report was dated December 17, 1949. All parties filed exceptions to the first report of the Master and, after a lengthy hearing, Judge Smith, on July 10, 1951, recommitted the matter to the Master to make additional findings and corrections in the report.

On December 3, 1951, the Supplementary Report of the Special Master was signed. Objections were filed and a Second Supplementary Report was signed by the Master on April 4, 1952. Objections to the reports filed in the District Court were overruled on June 26, 1952, and on July 21, 1952, judgment was entered in favor of the plaintiff to the following effect:

Isabel D. Bush, as Administratrix d.b.n. c.t.a. of the Estate of Birney Dysart....	$142,717.91
Isabel D. Bush	359,094.56
Dorothy D. Fellers	359,094.56
Samuel C. Dysart	359,094.56

Costs were awarded the plaintiff.

It is from this judgment that defendant appeals. We have gone into the history of this case at some length—since more than sixteen years have elapsed since the commencement of this action. We have not attempted to enumerate the nearly countless motions that have been filed—and contested. Suffice it to say, the record indicates that this action has been staunchly contested every inch of its

way. And it will be necessary, in discussing the defendant's exceptions, to consider in detail certain other historical aspects of this case.

The first error assigned by the appellant is that the plaintiffs are estopped from prevailing in this action because of Birney Dysart's alleged misrepresentations at the time of the merger of the Dalton Co. with the defendant, and his failure to disclose his agreement with the Dalton Co. and his then pending patent application.

In considering this claim of error, we are governed by two principles—first, we must sustain Judge Clark's finding that there was neither actual nor imputable fraud if there is any substantial evidence in support thereof. *United States* v. *Aluminum Co. of America,* C. C. A. 2, 148 F. 2d 416, 433; Rule 52, Federal Rules of Civil Procedure. Such inferences as the Trial Judge drew—in this matter—are not binding upon us, but they are entitled to substantial weight and, so far as reasonable, should be given effect here. *United States* v. *Fotopulos,* C. C. A. 4, 180 F. 2d 630; Rule 52, Federal Rules of Civil Procedure.

In addition, the defense of estoppel by fraud is an affirmative defense. The defendant had the burden of proving that Birney Dysart was guilty of all of the elements of fraud. Rule 8(c) of Federal Rules of Civil Procedure.

Guided by these principles, it is clear there was no error by the Trial Court in denying the defendant's contention as to estoppel by fraud.

Defendant's argument therein is twofold. It first charges that the report of the auditors stating that "No contingent liabilities were reported to nor disclosed by us during the course of our examination and a responsible official of the Company certified to us that none existed at December 31, 1926." was an affirmative misrepresentation on the part of Dysart, since he was the Treasurer and the one who signed the financial statements underlying this report.

The Trial Court found as follows:

> "On February 21, 1927, as secretary of the Dalton Company, Dysart signed several certifications on forms presented to him by Ernst & Ernst, accountants engaged in making an audit report of the Dalton Company as of December 31, 1926. These certifications were as to the inventory, accounts receivable, liabilities, and purchase and sale commitments of the company; that one which dealt with liabilities stated that to the best of the certifier's knowledge and belief provision had been made on the books of account for all liabilities except certain invoices noted, and that the company was not liable as endorser or guarantor on any accommodation paper, contract, or agreement, had not pledged or assigned any of its assets, 'had no outstanding contracts of a speculative nature for material or other items; had no damage or losses on account of discounted notes, trade acceptances or other forms of obligations.' These certifications were not brought to the attention of defendant's officers, but Ernst & Ernst's audit report, which came to their attention a few days after March 2, 1927, stated that no contingent liabilities were reported to or disclosed by them during their examination, 'and a responsible official of the Company certified to us that none existed at December 31, 1926.' At that time (about March 5, 1927) all arrangements for the sale had been completed, and in the announcement of February 14, 1927, no reference had been made to contingent liabilities in the pro forma balance sheet or elsewhere. In making the purchase of the Dalton assets, defendant was interested in Dalton's favorable income-showing and strong patent situation, and did not know of or rely on these certifications made by Dysart."[2]

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[2]*Dysart et al.* v. *Remington Rand, Inc.*, 40 F. Supp. 596, 598.

Assuming—but not deciding—that the statements on the certifications described in Finding 10—which were signed by Dysart—amounted to a misrepresentation, it is still necessary—in order to have an estoppel by fraud, to find either an intent to defraud or to find that Dysart's act was so grossly negligent as to amount to fraud. Compare *O'Connor et al.* v. *Ludlam et al.*, C. C. A. 2, 92 F. 2d 50, 53, cert. den. 302 U. S. 758, 58 S. Ct. 364, 82 L. Ed. 586. The Trial Judge found neither actual nor inferential fraud. Certainly the facts found by the trier are adequately supported by the evidence. The inferences drawn by the trier are to be given substantial weight.

A fundamental essential to a valid defense of fraud is that the defendant must show that it relied on the alleged misrepresentation. *General Finance Corp. et al.* v. *Keystone Credit Corp. et al.*, C. C. A. 4, 50 F. 2d 872, 881. The burden was on the defendant to prove that element. Judge Clark found, in the last sentence of Finding 10, noted above, that defendant did not know of or rely on these certifications made by Dysart. Such a finding is warranted from the evidence.

Furthermore, it is far from clear that the statement to the auditors had been correctly interpreted by them to mean that there were no contingent liabilities. There was no certainty at the time of the merger early in 1927, that letters patent would ever issue on this invention. There is a difference between a contingent liability and a plain "contingency." "A contingent liability is one thing, a contingency, the happening of which may bring into existence a liability, is another, and a very different thing. In the former case there is a liability which will become absolute upon the happening of a certain event; in the latter there is none until the event happens. The difference is simply that which exists between a conditional debt or liability and none at all." *Fernald* v. *Johnson*, 71 Me. 437, 440. Certainly we cannot find that defendant sustained the burden of proving it relied on these statements in making the deal of merger.

The burden being on the defendant on this question—we cannot find it has sustained it.

Nor do we find any substance to the defendant's contention that Dysart's silence constituted an estoppel by fraud. The situation in which Dysart acted is clear enough. Although he was Treasurer of the Dalton Co., he had no part in the negotiations with Rand. He was not consulted. He knew that Landsiedel, then President of the Dalton Co. and who alone carried on the negotiations for the Dalton Co. with Rand, knew about his contract with the Dalton Co.

To be charged with estoppel by silence, Dysart must have been under a duty to speak—or to have known that the defendant was acting under a mistaken belief. *Sinclair Prairie Oil Co.* v. *Campbell et ux.*, C. C. A. 5, 164 F. 2d 907, 910.

Since he was not a party to the negotiations, or in any way in a fiduciary relationship with Remington Rand, he had no duty to speak. He had every right to rely on Landsiedel's duty of disclosure. Nor is there an iota of evidence either to indicate that Dysart knew the defendant was ignorant of Dysart's rights in his patent or that the defendant was acting under a mistaken belief. And the burden was on the defendant to show any such situation.

The second point urged by the defendant is that recovery is barred by the Connecticut three-year or six-year statutes of limitations governing oral contracts. This contention is easily disposed of, as Judge Clark found,[3] that the issuance of the patent was an absolute condition to liability under the contract. Thus the cause of action did not arise until

[3] "* * * When the Dalton Company sought to make use of the invention in 1924, the president and general manager thereof, James L. Dalton, the dominant factor in the management of the company and with his family the chief stockholders, agreed with Dysart that the company should use the invention and that the company would compensate Dysart for the use when its value became ascertained after issuance of the patent for it. * * *" *Dysart et al.* v. *Remington Rand, Inc.*, 40 F. Supp. 596, 597.

that contingency was fulfilled and as such, any statute of limitations could not begin to run until such time. Since the patent did not issue until September 17, 1935—less than three years before the commencement of this action in November, 1937—the action is not barred by either the three- or six-year limitation.

The defendant's claim that the plaintiffs unequivocally accepted the claimed repudiation in 1934, when they granted a license to Underwood-Elliott-Fisher and thereby rendered themselves incapable of performing the Dysart-Dalton Co. agreement, is equally untenable.

The contract as found by Judge Clark in Finding 5[4] did not provide that Dysart should be in a position to assign complete rights in the patent to the Dalton Co. The Dalton Co. contracted to pay Dysart the fair value, to be agreed upon, for the use of the patent. There was no provision in the contract to assign the patent when issued. Intention is an inference of fact for the trier, and his conclusion is not reviewable unless it was one he could not reasonably make. *U. S.* v. *Yellow Cab Co.*, 338 U. S. 338, 70 S. Ct. 177, 94 L. Ed. 150; *McDermott* v. *McDermott*, 97 Conn. 31, 34-5; *Finlay* v. *Swirsky*, 98 Conn. 666, 671. Indeed the trial judge was fully justified in finding the contract as he did.

Defendant's next claim concerns Rule 25 (a) of the Federal Rules of Civil Procedure which directs dismissal of an action as to a deceased party if proper substitution for the party is not made within two years. The rule is sought to be invoked against the interests represented by the wife of the inventor Birney Dysart, Mrs. Eva Perin Dysart, at the time she died on December 30, 1945. She was then a party to the proceedings in two capacities. As Executrix of the estate of Birney Dysart, who died on July 20, 1932, she was the sole plaintiff in the action to recover the reasonable value of the use up to August 8, 1933, the date

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[4]See Footnote 3, *supra*.

when Dysart's estate was distributed. In the second action brought to recover the value of the use after August 8, 1933, she was party plaintiff to the extent of a one-quarter interest in the recovery. Although sole legatee of Dysart's estate, in 1935 she had transferred a three-quarter interest in equal parts to her three children, who were also plaintiffs in this second action.

Within the two-year period after Mrs. Dysart's death in 1945, no effort was made to substitute for her interests, and on March 27, 1947, her estate was fully settled and distributed to the three children, full state and federal tax liability having been paid. Over four years after her death, on January 11, 1949, hearings on the merits before the Special Master were commenced. Her death was suggested on the record on January 19, 1949, and the hearings terminated on June 17, 1949. Although defendant had knowledge of Mrs. Dysart's death as early as 1946, no attempt was made to raise the issue of no substitution until defendant filed its original brief before the Master on July 25, 1949, after the completion of the hearings. Not until January 31, 1950, was a motion made in the District Court under Rule 25 (a) to dismiss the actions as to her, both as Executrix and individually. The Special Master found little merit in the defendant's arguments, and Judge Smith, in his memorandum on the Master's report filed July 10, 1951, denied the motion to dismiss. He found that failure to substitute in the second action was not fatal, since under the distribution of Mrs. Dysart's estate in April, 1947, full legal title to the claim against the defendant passed to the children, and the children were already parties to the action. However, as to the first cause of action in behalf of Birney Dysart in which Mrs. Dysart was the sole representative, he found that since inventories of his estate listed the claim as late as 1949, and taxes remained to be settled and paid, the claim still reposed in the estate. Thus legal title rested with the personal representative of the estate and only such a representative was the proper party to

enforce the action. *Butler* v. *Sisson,* 49 Conn. 580; *Lynch* v. *Skelly,* 138 Conn. 376, 379. Since the personal representative had not been made a party, dismissal under Rule 25 (a) would ordinarily follow, but he found that the defendant, by its long delay in raising the issue, had waived its right to object and was estopped from invoking the rule. Thus, pursuant to Federal Rule 21, which permits the District Court to add or drop parties at any stage of the proceeding on such terms as are just, he allowed the daughter Isabel D. Bush, Administratrix d.b.n.-c.t.a. of the estate of Birney Dysart under Probate Court decree of August 16, 1949, to be added as party plaintiff in the first action.

We can see no error in this decision. The defendant knew of Mrs. Dysart's death as early as 1946, and if objection had been made at least prior to the hearings in 1949, those proceedings would have been greatly simplified and much time and expense would have been saved. Having stood by while the plaintiffs expended money and effort in bringing the case to judgment, the defendant should no longer be allowed to object. The defendant, in disputing this decision, relies on *Anderson* v. *Yungkau,* 329 U. S. 482, 67 S. Ct. 428, 91 L. Ed. 436, where, in a suit to recover certain stock assessments, the Court ruled that dismissal under Rule 25 (a) after two years was mandatory. Although the failure to substitute was due to no lack of diligence on the part of the plaintiff-receiver, the Court held that there was no power, under the excusable neglect provision of Rule 6 (b), to extend the time within which the executors of some of the defendant stockholders who had died could be substituted. On the basis of this decision, the defendant argues that Rule 25 (a) is jurisdictional; that the operation of the Rule cannot be waived by conduct of the parties.

However, we do not think the *Yungkau* case is controlling here where the issue is not discretion of the Trial Court but waiver by the parties. In ruling that dismissal was mandatory, the Court characterized Rule 25 (a) as a

type of statute of limitations. See 329 U. S. at 485. Moreover, in that decision Rule 25 (a) was used to protect the repose of the estate of the defendant, but here it is being used only to bar the plaintiff's immediate remedy. As such it more clearly appears to take the form of a limitation statute. This characterization seems even more realistic, as neither the plaintiff's right nor remedy would be barred under Connecticut law if we dismissed, Conn. Gen. Stat., Sec. 8337, and plaintiff could institute a new suit within one year of our dismissal. Conn,. Gen. Stat., Sec. 8332. A statute of limitations can be waived, *Matheny* v. *Porter*, C. C. A. 10, 158 F. 2d 478, 479, and we think defendant clearly has done so here. A contrary result would not only prolong the litigation but defeat the purpose of Rule 25 (a), as the closing of the estate of Birney Dysart would be interminably delayed. We are of the opinion that neither Rule 25 (a) nor the *Yungkau* case forces us to condone such a result.

The appellant's final claim of error is that the Special Master's computation of the "reasonable value" of the use of the invention was grossly excessive. The appellant first claims that the District Court and Special Master erred in refusing to consider and not give effect to proof that plaintiff, in 1934, granted a non-exclusive unrestricted license for the full life of the Dysart patent to Underwood-Elliott-Fisher for $100,000.00.

We want to note right here that the appellant originally claimed that this $100,000.00 figure paid by Underwood for a license was too high for use by the Special Master. On the contrary, its entire case—initially—was based on the claim that the "value of the use of the Dysart device" to it should be determined solely on defendant's showing of profits, or lack thereof.

It was only after the Special Master recommended an award well in excess of $100,000.00 that the defendant went into a tailspin—reversed itself—and petitioned to reopen the hearings to present evidence of other licenses granted by Mrs. Dysart.

The Special Master denied this motion on the ground that the $100,000.00 figure was a price fixed in settlement and was not a true mirror of worth. He also found that any other licenses granted could not represent dealings in the open market because of the cloud thrown on plaintiff's title by defendant's claim. These rulings were affirmed by Judge Smith, who also, on remand, directed the Master to take into consideration the effect competition resulting from these licenses might have on the value of the defendant's use.

In these rulings, there was no error. A contract made in settlement of litigation is inadmissible as evidence of value. *Activated Sludge, Inc. et al.* v. *Sanitary District of Chicago,* D. C., 64 F. Supp. 25, 33, Aff'd 157 F. 2d 517; cert. den. 330 U.S. 834; 67 S. Ct. 970; 91 L. Ed. 1281.

On February 19, 1931, an interference suit against the then pending Dysart patent was filed by a Mr. Sundstrand. This action was sponsored by Underwood-Elliott-Fisher, owner of the Sundstrand interests. It was decided in plaintiff's favor in 1934, and the license agreement between plaintiff and Underwood-Elliott-Fisher was part of the settlement of that litigation.[5]

Furthermore, such licenses as were granted, were granted when this litigation was an element which had to be taken into account. It could not help but make prospective licensees so cautious that such license fees would not be apt to reflect fair value.

Appellant claims that the District Court and Special Master erred in awarding plaintiff a greater sum than the reasonable value of the non-exclusive use of the Dysart device. But it is true that determination of damages involving misuse of a patent is a question of fact for the trier. *National Car-Brake Shoe Co.* v. *Terre Haute Car Co.* (C. C. Ind.), 19 F. 514. *Reynolds Spring Co.* v. *Young et al.,* C. C. A. 6, 101 F. 2d 257, 261. We cannot read the statement of the Special Master regarding royalty rates in

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[5]Transcript of Record, Page 134.

the same manner as the defendant does in its brief. We are satisfied that the District Judge properly resubmitted the matter to the Special Master with instructions to reconsider his findings to determine the reasonable value on the basis of actual experience for the entire period from 1924 to the close of the hearings "to make plaintiffs whole for the damages suffered by them from the breach of contract implied in fact to start paying within a reasonable time after the issuance of the patent, and to continue to pay, thereafter, the reasonable value of the use."

Thereafter, plaintiff introduced four witnesses who testified as to a reasonable royalty rate. They supplied ample basis for the findings as made. It should also be remarked that the defendant produced no witnesses on this point.

The defendant also claims that the Special Master and District Court erred in including the value of the Dreher mechanism, which, it claims, is entirely distinct and different from the Dysart device, in the calculation of damages for the use of the Dysart device in tabulating machines.

This claim is easily disposed of. The Special Master found that the Dysart device represented the important part of the machine—that which made it sell and which gave the machine its enhanced value.[6] This finding was approved by the Court. Indeed, the evidence overwhelmingly supports this finding, and this Court cannot say—in any way—that this finding was clearly erroneous. *Reynolds Spring Co.* v. *Young et al., supra.*

The last of the errors claimed by defendant is that allowance of interest from 1936 was erroneous. However, we believe the interest as allowed should be upheld. The defendant has made devious and strenuous efforts to avoid this claim. Judge Smith says that "it would be difficult to find a more adequate showing of exceptional circumstances justifying the award of interest than that for the unlawful detention of the amounts due to Dysart's successors." In

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[6]Transcript of Record, Page 169.

this we fully concur, and such interest is allowable in such circumstances—under Connecticut law. *Campbell* v. *Rockefeller,* 134 Conn. 585, 591-2. We find no error as claimed by defendant.

In this case, the plaintiff filed a cross-appeal claiming the Court erred in denying, in part, plaintiff's motion for costs.

The plaintiff objects to the disallowance of costs for expert services and witness fees for one person and one corporation. However, Judge Smith did not find that defendant's conduct during the hearings was dilatory or fraudulent.

The allowance of costs to the prevailing party is not a matter of absolute right; the Trial Court has inherent power to disallow a part, or all, of the costs in a case. *Prudence-Bonds Corp. et al.* v. *Prudence Realization Corp. et al.,* C. C. A. 2, 174 F. 2d 288.

There is no merit to the cross-appeal, and we do not disturb the action of the court below.

B.

RELEVANT PORTION OF DISTRICT COURT OPINION

IX. PARTIES.

Defendant has moved to dismiss the action in its entirety or alternatively insofar as it relates to Eva Perin Dysart either personally or as executrix of the estate of her deceased husband. The master's conclusion that this motion should be denied is the basis of a further objection to his report by defendant and of defendant's motion for summary judgment. It is contended that since Mrs. Dysart died December 30, 1945, and no one was substituted in the action to represent the interest of her estate or that of her husband pursuant to Rule 25(a)(1)[1], dismissal as to the deceased

[1]"If a party dies and the claim is not thereby extinguished, the court within two years after the death may order substitution of the proper parties. If substitution is not so made, the action shall be dismissed as to the deceased party . . ."

party is mandatory. Plaintiffs' motion for leave to file a supplemental complaint addressed to the issues raised by the motion to dismiss was allowed by the Court and an answer was filed thereto. Subsequently both parties moved for summary judgment on these issues, supporting their motions with affidavits. The relevant facts appear as follows:

1. Birney Dysart died on July 20, 1932, leaving a will naming his widow, Eva Perin Dysart, as executrix and sole legatee. The will was admitted to probate by the Probate Court for the District of Hartford on August 22, 1932, and letters testamentary were issued to the said Eva Perin Dysart.

2. Isabel D. Bush, Samuel C. Dysart and Dorothy D. Fellers were the sole heirs-at-law of Birney Dysart and of Eva Perin Dysart.

3. Mrs. Dysart filed an inventory and a supplemental inventory purporting to list the assets of the estate but no reference was made to the claim against Remington Rand. The then pending application for patent, No. 565, on the negative total device was listed at an uncertain value.

4. An administration account was filed by Mrs. Dysart and approved by the Court of Probate on March 28, 1933. It was ordered on that date that the assets of the estate be distributed in accordance with the provisions of the will.

5. Distribution was so made pursuant to the order of the Court prior to August 8, 1933. Eva Perin Dysart as executrix had assigned to herself in her individual capacity all right, title and interest in and to several patents and patent applications, including Application No. 565.

6. Early in 1936, after the issuance of the patent, Mrs. Dysart, acting in her individual capacity, assigned to each of her three children an undivided 1/4th interest therein.

7. On October 25, 1937, a further inventory of the estate was filed by Mrs. Dysart, listing the claim against Remington Rand at an indeterminate value.

8. Mrs. Dysart died on December 30, 1945. In a petition to the Probate Court, Isabel D. Bush represented that the Estate of Birney Dysart was still unsettled and requested that she be appointed administratrix de bonis non with the will annexed, as successor to the deceased executrix.

9. Isabel D. Bush was so appointed by the Court of Probate on August 15, 1949, and on August 16 filed an inventory listing the claim against Remington Rand at an indeterminate value.

10. Mrs. Dysart left a will, naming Samuel C. Dysart, Isabel D. Bush and Dorothy D. Fellers as sole legatees. This will was admitted to probate on February 8, 1946 and Isabel D. Bush qualified as executrix.

11. An inventory and supplemental inventories were filed by Mrs. Bush as Mrs. Dysart's executrix in which the claim against Remington Rand was listed for death tax purposes at an appraised value of $100,000.00.

12. The Probate Court on February 18, 1947 approved the administration account filed by the executrix and ordered distribution of the assets of the estate of Mrs. Dysart.

13. The legatees entered an agreement for Mutual Distribution of the estate of Mrs. Dysart which was approved by the Probate Court on April 2, 1947. Distribution was made in accordance therewith to Isabel D. Bush, Samuel C. Dysart and Dorothy D. Fellers prior to June 17, 1947.

14. There was included in this distribution to each of the said legatees an undivided 1/12th interest in the Dysart patent No. 2014560 and an undivided 1/12th interest in the claim against Remington Rand.

15. All tax claims against the Estate of Eva Perin Dysart of the United States and the State of Connecticut have been fully settled and paid.

16. Isabel D. Bush has not been discharged by the Court of Probate either in her capacity as administratrix d. b. n. c. t. a. of the Estate of Birney Dysart or executrix of the Estate of Eva Perin Dysart.

17. The defendant had knowledge of the death of Mrs. Dysart in the early part of 1946.

Defendant contends that any claim arising out of the oral contract by the terms of which the Dalton Company undertook to compensate Dysart for the reasonable value of the use of the invention is personal to Birney Dysart and his estate; that the claim for compensation due from Remington Rand both prior to the death of Birney Dysart and subsequent thereto is an asset of his estate which has never been distributed; that the purported assignment by Mrs. Dysart of a 1/4th interest in the claim to each of the children was ineffective because Mrs. Dysart never had title to any part of the claim in her personal capacity; that the only person competent to assert the claim is the representative of the Estate of Birney Dysart; and that since more than two years have elapsed since the death of his executrix, no substitution having been made in the interim, dismissal of the entire cause of action should be directed.

Alternatively defendant argues that if the claim is not regarded as a personal one, and if the portion of the claim accruing after Birney Dysart's death is considered to have passed to Eva Perin Dysart and her assignees, nevertheless the action must be dismissed insofar as it asserts any claim on behalf of the estate of either Birney, or Eva Perin Dysart since plaintiffs have failed to procure substitution of the personal representative of either of them.

Plaintiffs, on the other hand, vigorously maintain that substitution of the personal representatives of Birney and

Eva Perin Dysart is not necessary since the estates of both have been full distributed to the children who are the only parties beneficially interested and all of whom are before the Court as parties plaintiff.

The master, after a careful consideration of the problem, reached the conclusion that the position of the defendant was not tenable. He decided that, since the Dysart children, the surviving plaintiffs, were the sole heirs of both Birney and Eva Perin Dysart, substitution of representatives of the two estates was not essential. Relying on Rule 25(a)(2),[2] he found that the "right sought to be enforced" herein was one which survived "only to the surviving plaintiff's" and, therefore, did not abate on the death of one of the plaintiffs. The master further suggested as reasons for denying the motion that defendant had waived its right or is estopped to rely on Rule 25 by failing to raise the question seasonably and that Rule 25 perhaps should not apply to an action such as this in which an interlocutory judgment has already been entered.

We cannot agree with the master on his main thesis that the action falls within the purview of 25(a)(2) and that substitution is, therefore, not required. That section of the Rule would appear to have been intended to apply only to situations where, after death, all interest in the cause of action survives to the living parties. Thus a suit by partners might properly proceed after the death of one of them without substitution of the deceased partner's representative, because of the survivorship interest of the living partners.[3]

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[2]"In the event of death of one or more of the plaintiffs or one or more of the defendants in an action in which the right sought to be enforced survives only to the surviving plaintffs or only against the surviving defendants, the action does not abate. The death shall be suggested upon the record and the action shall proceed in favor of or against the surviving parties."

[3]*Jones* v. *Pettingill,* 245 Fed. 269 (1st Cir. 1917) decided under the former Sec. 779, Title 28 U. S. C., the precursor of the present Rule 25(a)(2). And see *Thomas* v. *Green County* (6th Cir. 1906) 146 Fed. 969 (suit by joint owners of bonds).

The Dysart children in this action did not receive an interest in the subject matter of the litigation by survivorship. Any interest that they take by virtue of the deaths of their parents comes to them through bequest or descent.

We cannot uphold defendant's contention that the claim under the implied contract was in its entirety personal to Birney Dysart and that the right to compensation accruing subsequent to Dysart's death did not pass under his will. In fact, Judge Clark specifically found otherwise: "All rights in the invention and the patent and all claims for use thereof after Dysart's death vested in her (Mrs. Dysart) as sole legatee under her husband's will and have been so distributed pursuant to appropriate probate decrees", 40 F. Supp. 596, 599. Nothing has been presented during the course of these proceedings, to incline the Court to alter its previous finding on this point. It follows that the assignment of the ¼th interest in the claim to each of the three Dysart children was an effective transfer.

The Mutual Distribution approved by the Court of Probate by its terms distributes equally to each of the children the portion of the claim to which Mrs. Dysart retained title under the 1936 assignment. The master's award is based on the assumption that the claim for compensation accruing during the interim between Dysart's death and 1936 was in its entirety in the estate of Mrs. Dysart since the assignment transferred an interest only in such payments as should accrue subsequent to its execution. No specific reference is made to that portion of the claim in the Mutual Distribution. But since all debts and tax liabilities of the estate have been settled and since the executrix has filed her return representing that all the property in her hands has been distributed to the persons entitled thereto, the interest in this portion of the claim has also passed to the surviving plaintiffs herein. It appears, therefore, that the children, by April, 1947, had acquired full legal title to that portion of the claim in the estate of their mother. Her executrix has no further interest in the subject matter of this consolidated

action, and it was unnecessary to make her a co-party plaintiff.

That portion of the claim against defendent which accrued prior to July 20, 1932 is an asset of the Estate of Birney Dysart and does not appear to have been distributed to his heirs. Plaintiffs contend that the probate decree of March 28, 1933, purporting to order the distribution of the "rest, residue and remainder" of the estate, effected distribution of the said claim, but neither the inventories nor the administration account makes reference to the claim. Moreover, the subsequent inventories filed in 1937 and 1949 list the claim as an asset still in the estate.

Since this portion of the claim still reposes in the estate, the proper party to an action to enforce it is the personal representative of the estate.[4] It is true that the surviving plaintiffs herein, as sole heirs of the decedent, have a vested beneficial interest in the chose in action, *Parlato* v. *McCarthy,* 136 Conn. 126 (1949). But the fact remains that until distribution is complete, legal title is with the personal representative. Nor is this a case where, as in *Bishop* v. *Groton Savings Bank,* 96 Conn. 325 (1921), the "technical title" of the representative can be disregarded, for it is admitted here that state and federal death taxes are still to be settled. Isabel D. Bush, as administratrix d. b. n. c. t. a. of her father's estate, should have been made a party to press that portion of the claim accruing between 1924 and 1932.

We would have felt constrained to grant defendant's motion to dismiss as respects the interest of the estate of Birney Dysart for failure of the plaintiffs to procure substitution[5] were it not for defendant's unreasonable delay

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[4]*Butler* v. *Sisson,* 49 Conn. 580 (1882); *West* v. *Howard,* 20 Conn. 581 (1850).

[5]See *Anderson* v. *Yungkau,* 329 U. S. 482 (1947) wherein the Court said in interpreting the Rule that "25(a) operates both as a statute of limitations upon revivor and as a mandate to the Court to dismiss an action not revived within the two-year period."

in raising the issue. Defendant had knowledge of Mrs. Dysart's death early in 1946; at any time subsequent to December 30, 1947, two years after the date of death, it could have moved for dismissal pursuant to Rule 25(a)(1). The claim for dismissal was not raised, however, until defendant filed its original brief with the master, at which time lengthy and costly hearings had already been held. These hearings had started in January, 1949. If defendant had raised its claim for dismissal at that time and the motion to dismiss had been granted, the accountings would have been greatly simplified (or possibly if defendant's motion had been granted in full, rendered unnecessary) for only the interests of the three plaintiff children would have been involved. Instead the proceedings went forward on the apparent assumption that the right of recovery of the Estates of Eva Perin and Birney Dysart was not questioned. Voluminous evidence which would have been irrelevant if the motion to dismiss had been seasonably pressed and granted, was introduced at great expense and effort to the plaintiffs. We agree with the master that by its acquiescence in allowing plaintiffs to put on full proofs, with no intimation that a claim for dismissal was going to be asserted, the defendant has procured a detrimental change in plaintiffs' position, has waived its right to have the action or any part of it dismissed under Rule 25 and is now estopped to seek dismissal.

Isabel D. Bush, administratrix d. b. n. c. t. a. of the Estate of Birney Dysart, may be admitted as a party plaintiff in the consolidated action.[6]

The interests of judicial economy also call for a denial of defendant's motion, for if the action were dismissed with respect to the estates, a new action could be instituted either

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[6]Under Rule 21 F. R. C. P. "(p)arties may be dropped or added by order of the Court on motion of any party or of its own initiative at any stage of the action and on such terms as are just." And cf. *Missouri, Kansas and Texas Railway Company* v. *Wulf*, 226 U. S. 570 (1913).

here or in the state courts by the personal representative pursuant to Section 8332 of the Connecticut Statutes (Revision of 1949).[7] The new action would present questions which may be more readily passed upon in this proceeding.

For the reasons stated, the defendant's motion for dismissal and summary judgment are denied. The plaintiffs' motion for summary judgment is granted to the extent indicated above. Findings 1 through 17 of Part IX hereof are adopted as additional Findings of Fact herein.

The recovery accruing to each of the plaintiff children shall be separately stated as such amount as is allowed to each of them for the 1/4th interest in the claim assigned to them by their mother, augmented by a 1/3rd interest in the amount allocated by the master to the Estate of Eva Perin Dysart. Isabel D. Bush, administratrix d.b.n.c.t.a., shall be entitled to recover such compensation as accrued prior to the date of the death of her testator.

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[7] "If any action, commenced within the time limited by law, shall have failed one or more times to be tried on its merits because of . . . or the action shall have been otherwise avoided or defeated by the death of a party; . . . his executor or administrator, may commence a new action for the same cause at any time within one year after the determination of the original action or after the reversal of the judgment. . . ."